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SUBJECT: UK TRADE UNIONS FEAR LOSS OF POLITICAL CLOUT FROM
ELECTION FINANCE REFORM

¶1. Summary: UK trade unions are anxiously following the deliberations of a commission exploring reforms to political party funding. The trade unions darkly suspect that some in the Labour Party would like to use the commission to break the unions' financial hold on Labour. At present, a handful of trade unions are the principal donors to the Labour Party.

The Blairites hope for a two-fer from the commission. If they can restrict spending by all parties, they could neutralize both the hold of the unions on their own party and the considerable fundraising advantage of the Conservatives. The unions fiercely oppose this, but should they? Given a perceived failure of unions to deliver to its rank and file where it matters -- in the workplace -- funding a political party may be an unnecessary, albeit prestigious, distraction.

End Summary.

LABOUR WANTS OUT FROM UNION GRIP

¶2. Trade unions are anxiously following the deliberations of a commission exploring reforms to political party funding. PM Blair established the commission last year and appointed Sir Hayden Phillips its chair, in the wake of suspicions that political parties promised honors, including peerages, to major campaign donors. The trade unions darkly suspect that some in the Labour Party would like to use the commission to break the unions' financial hold on Labour.

¶3. By US standards, the amounts needed to fund UK elections are minuscule. Parties can only spend GBP 30,000 (\$60k) per candidate, or about GBP 19m (\$38m) for an entire national election. The great black hole of US campaigning -- TV time -- is free but tightly regulated in the UK. Most party funds go to get-out-the-vote efforts and to advertising of questionable utility, such as leaflets and billboards. FCO and Trade Minister Ian McCartney told LabCouns he considered the GBP 6m (\$12m) Labour spent on billboards in the 2005 elections a complete waste of money. "Who cares about a fe--ing billboard?"

¶4. Trade unions have been Labour's primary financier since the unions created the party in 1906. Today, affiliated unions contribute GBP 3.00 per member per year. Only 16 of the more than 70 UK unions are affiliated to Labour, but they include all the largest: AMICUS, UNISON, GMB and T and G, representing over half of the 7 million unionized workers in the UK. This steady cash flow buys the unions one third of the seats on Labour's policy-making executive council. Under a time honored tradition of "No say, no pay", the unions insist on being heard.

¶5. Their impact is considerable, but not overwhelming. The Labour Government has had to roll back or soften many of its competitiveness initiatives to placate its union membership.

In 2005 the government agreed to grandfather all public sector workers in a pension plan that pays 100% of a worker's final salary, adjusted for inflation, for life, at an (unfunded) cost to the state budget of about one billion pounds (\$2b) per month. Other influences are more benign, such as commitments to end pay discrimination based on gender and increased access to higher education for disadvantaged groups. On the other hand, Labour has pursued an agenda contrary to the unions' desires on many other issues, such as the independence of the Central Bank, National Health Service reform, and the war in Iraq.

¶6. Union funding of Labour was on a steady decline until the peerages scandal. From a high of 90% of all party money in its early years, the union contribution ebbed to a still considerable 25-40%, according to John Lloyd, a labor historian with the union Community. With wealthy donors running for cover after the scandal, however, estimates of the unions' share are back up to 70%. In effect, a handful of trade unions are the principal donors to the ruling party of our most important ally.

¶7. Blair, most union observers believe, is trying to break that link. Union demands are inconsistent with the Blairite vision of the centrist New Labour. Mollifying that constituency risks alienating the larger Labour target audience. Hence the importance of the Hadley Commission on reform of political funding. The Blairites hoped for a two-fer. If they could restrict spending by all parties, they could neutralize both the strangle hold of the unions on their own party and the considerable fundraising advantage of the Conservatives.

DON'T COUNT ON IT

¶8. "It's not going to happen," is the blunt assessment of

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Amicus Deputy Secretary General Paul Talbott. Labour simply does not have the ranks of moderately wealthy supporters who can each contribute several thousand pounds to the party, as the Tories do in abundance. The Conservatives, consequently, favor a cap on large donations, which they can live without, but not on spending.

¶9. The unions oppose any attempt to unseat them from the policy table. They argue that their contributions should be counted as millions of individual donations of three pounds, not a handful of million pound checks. They note that union political spending is endorsed by the membership in a referendum once a decade. Devotees of inside baseball will appreciate this nuance: unions decide what number of their membership will affiliate with Labour, to fine-tune their financial support. It is not always 100%. The legendary leader of the National Union of Mineworkers, Arthur Scargill, sometimes affiliated more than 100% of his rank and file, to increase his political clout during his years of battle with Margaret Thatcher.

¶10. Sir Hayden Phillips, faced with the fundamental philosophical approaches of the two main parties, has all but thrown up his hands. Andy Bagnall, a domestic policy advisor to Labour Party chair Hazel Blears, calculates public alarm at the peerages affair was great enough to create the Phillips Commission but is not yet sufficient to accept the obvious solution, public funding. And so the impasse continues, waiting perhaps for the police investigation to result in a criminal case sufficiently sordid to compel the public to accept giving taxpayer money to parties for political ends.

COMMENT: DON'T QUIT YOUR DAY JOB

¶11. Comment: Should that happen, trade unions would suffer the most, but perhaps not fatally. Bagnall points out that the most dynamic unions, those with a growing membership, are

not affiliated with the Labour Party. Union members appear more interested in bread and butter issues of pensions and wages than in party politics. The most recent annual survey of British Social Attitudes found that only one-third of union members believed they were getting value from their union membership. The survey also found that workers in unionized workplaces tended to have twice as much mistrust of management and no greater wages than non-union shops. Given this perceived failure of unions to deliver where it matters -- in the workplace -- funding a political party may be an unnecessary, albeit prestigious, distraction. End Comment

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